

FINANCE COMMITTEE

Fiscal Year 2004

The Finance Committee advises the Town of Amherst on matters affecting Town finances and makes transfers from the Reserve Fund to cover extraordinary or unforeseen expenses.

We present a comprehensive operating budget to Annual Town Meeting in the spring of each year. We also make recommendations to Annual and Special Town Meetings on capital spending warrant articles and any other articles that we recognize as having significant financial implications. Our goal is to recommend spending and money management plans that adequately fund Town services while preserving the fiscal health of the Town.

The Committee's budget preparation begins in September with study of five-year financial projections prepared by Nancy Maglione, Director of Administration and Finance. This is the start of a continuing process of estimating available revenues for the next fiscal year and beyond. Beginning in January, we review in detail the municipal, library and school budget proposals developed by the Town Manager, Library Director and School Superintendent. At weekly meetings, we consult with administrators, staff, members of other boards and committees, and members of the public as we gather information on existing and proposed programs and services, clarify the Town's spending priorities, and identify and quantify the resources projected to be available to meet the Town's needs. Capital spending proposals are analyzed with respect to immediate cost, future debt obligations and impacts on operating budgets. Other warrant articles are reviewed similarly.

Fiscal Year 2005 spending. The continuing shortfall of state aid combined with dwindling amounts of savings in the form of Free Cash and Stabilization Fund money forced the Town to make some exceptionally difficult choices this year in creating a spending plan for the next fiscal year. The Town had been using its reserves to support operating budgets during three years of reductions in state aid. A little over \$5 million remained. The Finance Committee, Select Board, School Committee and Jones Library Trustees all agreed that no more than \$2 million of reserves should be spent in FY 05, so that some would be left for the following year or two.

The Finance Committee began its budget considerations assuming that state aid would essentially be level-funded. When the municipal, school and library administrators presented their budget proposals in early 2004, it was apparent that the Town faced a \$6-million problem: The proposals called for spending \$2 million more than the current year's budgets; \$2 million would be required to make up for part of the current year's revenue shortfall that is being covered by spending reserves, and \$2 million in unavoidable fixed and mandated costs had to be funded.

In March, the voters approved a \$2 million override of the property tax limitation of Proposition 2 1/2, reducing the problem to \$4 million. Reductions in the budget proposals and use of \$2 million from the Stabilization Fund took care of the remainder.

The operating budgets recommended by the Finance Committee and approved by Town meeting reflected efforts to accomplish three things: first, to fund the \$2 million in required increases for fixed costs and mandated expenses; second, to protect core services to the fullest extent possible; and third, to adjust programs and services to changing circumstances. The result sometimes was a mix of increases and decreases within budgets. Some staff positions were eliminated; some were added. In a few cases, staff positions were added to reverse cuts made this year that didn't work out well. An eventual small increase in state aid was welcome.

Spending for the capital plan was held slightly below the Town's normal level of 10 percent of the levy in order to make a little more money available for operating costs. Pushing some capital items farther into the future and forgoing altogether some equipment purchases accomplished this.

Issues of continuing concern. For the second consecutive year, Amherst, Pelham, Leverett and Shutesbury agreed to amend the Amherst-Pelham Regional School Agreement, for one year only, so that each town's assessment to pay for school expenses increased by the same percentage above the previous year's assessment. The towns did this in order to preserve the quality of the schools. Lacking the agreement, some towns would have faced ruinous assessment increases. This temporary change in the assessment method is consistent with neither the state's Department of Education formula nor the Regional Agreement. The method of apportioning assessments is becoming an increasingly difficult issue that requires attention soon.

This year, the Finance Committee concluded that the Town should no longer operate Cherry Hill Golf Course. Instead, requests for proposals for outside management should be put out by the fall of 2004. If this is not done, the course should be closed. This difficult recommendation resulted from failure of the course to generate sufficient revenues to support itself, despite recent improvements (a new clubhouse and irrigation system).

Town Meeting voted to begin funding a comprehensive downtown sidewalk improvement program by authorizing borrowing \$250,000 to start the project. Future funding would be done with relatively small annual appropriations, requiring ten or so years to finish the work. The Finance Committee believes it is important to complete the project expeditiously because of the handicap access problems it is intended to resolve. Our preference was to borrow a larger sum to provide certainty of funding, to allow project completion in about four years and to promote efficiencies in staffing and in purchasing materials. We plan to monitor progress to see if a more certain funding plan might be adopted in the future.

We will continue to maintain a close watch on financial reserves so that they can be built up again and continue to serve as a buffer against state aid shortfalls.

The Reserve Fund. The Reserve Fund of FY 04 totaled \$200,000. It was made up of three appropriations: \$65,000 by the April 28, 2003 Annual Town Meeting; \$60,000 by the October 27 Special Town Meeting; and \$55,000 by the April 28, 2004 Annual Town

Meeting. The exceptionally large sum reflected needs resulting from a combination of very tight FY 04 budgets and some unusual circumstances. The Committee voted the following transfers from the fund at the end of the fiscal year:

\$ 58,842	Mold clean-up not covered by insurance, Wildwood School
21,072	School military service pay differential
6,622	Insurance increases not budgeted
9,725	Unemployment insurance rate increase (.002 to .003)
14,800	Snow and Ice
<u>39,663</u>	Sanitary Landfill: revenue deficit due to closing
\$159,724	Total

The remaining \$49,276 goes to the Undesignated Fund Balance to become part of the Town's Free Cash after certification by the state.

Meetings. The Committee held 34 meetings during FY 04. Of these, 8 were held in conjunction with Town Meeting sessions, 3 were combined meetings with the Select Board, School Committee and Jones Library Trustees, and 3 were with Select Boards and Finance Committees of the four towns of the Amherst-Pelham Regional School District. Individual members attended budget related meetings of the Select Board, School Committee and Library Trustees. Mr. Swift represented the Committee on the Comprehensive Planning Commission. Mr. Morton and Ms. Carlozzi were the Finance Committee's members of the Joint Capital Planning Committee. Mr. Morton was a member of the task force studying the financial viability of Cherry Hill Golf Course.

Members. Brian Morton served again, and most helpfully, as Vice-Chair of the Committee. The other members this year were Marilyn Blaustein, Carlton Brose, Michael Mascis, Matthieu Massengill and Arthur Swift. Mr. Swift will leave the Committee, having completed another term. The rest of us thank him for his diligence, wisdom, knowledge and good humor. We will be pleased to welcome new member Kay Moran in FY 05.

Thanks. The Finance Committee always relies on the assistance of administrators and staff of all Town departments for information and insights essential to our work. We also rely on the collaboration of other Town committees and, not least, members of the public. People in the Town Manager's office keep our schedule and paper work organized. Much of the information we use is based on work done in the Finance Department. We thank them all.

Nancy Maglione is retiring after sixteen years as Director of Administration and Finance, and as the Finance Committee's staff liaison. She has been an excellent mentor and a constant source of good information and ideas. She was instrumental in putting in place important improvements to the Town's budget-making process. She designed the capital planning process that the Joint Capital Planning Committee uses. The process is based on use of 10 percent of the property tax levy to pay debt and make outright purchases within the confines of a 5-year plan. It promotes responsible use of debt by phasing in new debt issues as older ones are paid down. Over the years, she has included increasing

amounts of information for the annual municipal budget books and for Finance Committee reports to Town Meeting. This information includes detailed statements of departmental goals; historical revenue and spending data; and easily understood graphs tracking such financial data as state aid by category, fluctuations in annual amounts of state aid, revenue sources by category, and tax rates and property valuations. This information is enormously helpful. We are grateful for her professional excellence, and also for the good-spirited way she has worked with us.

Alice Carlozzi, Chair